

Keck Seng Investments



**KECK SENG
INVESTMENTS**
(HONG KONG) LIMITED

Annual Report | **2004**

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Financial Highlights

For the year ended 31 December 2004

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	+ / (-) %
Total Assets	2,258,694	2,227,994	1
Capital and Reserves	1,434,931	1,341,808	7
Issued Share Capital	340,200	340,200	–
Turnover	403,668	339,524	19
Profit Before Taxation	125,491	44,208	184
Profit Attributable to Shareholders	89,835	32,860	173
Basic Earnings Per Share (cents)	26.4	9.7	172
Dividends attributable to the year (cents per share)	4.5	2	125

Corporate Information

DIRECTORS

HO Kian Guan – *Executive Chairman*
HO Kian Hock – *Deputy Executive Chairman*
TSE See Fan, Paul
* HO Kian Cheong
** CHAN Yau Hing, Robin
** KWOK Chi Shun, Arthur
** WANG Poey Foon, Angela

* *Non-executive Director*

** *Independent Non-executive Director*

AUDIT COMMITTEE

CHAN Yau Hing, Robin – *Chairman*
KWOK Chi Shun, Arthur
WANG Poey Foon, Angela

SECRETARY

YUEN Chiu Yuk, Ida

AUDITORS

KPMG
8th Floor Prince's Building
10 Chater Road
Central
Hong Kong

SHARE REGISTRARS & TRANSFER OFFICE

Tengis Limited
G/F Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

REGISTERED OFFICE

Room 2902 West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the results of your Group for the year ended 31 December 2004.

RESULTS

The consolidated Group net profit attributable to shareholders for the year 2004 amounted to HK\$89,835,000, an increase of 173% as compared to HK\$32,860,000 in the previous year. Earnings per share for the year 2004 amounted to HK\$ 26.4 cents as compared to HK\$ 9.7 cents in 2003.

DIVIDENDS

The Board is recommending that a final dividend of HK\$ 3 cents per share be paid for the year ended 31 December 2004. An interim dividend of HK\$ 1.5 cents per share has already been paid. Total dividends for the year will be HK\$ 4.5 cents per share.

REVIEW OF OPERATIONS

Turnover for your Group increased by 19% to HK\$403.7 million for the year 2004, as compared to HK\$339.5 million for the previous year.

A summary of the operations by geographical location is as following.

Macau

The strengthening of the property market in Macau has allowed your Group to capitalize on the premium product image of Ocean Gardens, the most luxurious residential development in Macau undertaken by your Group. Significant run-up in capital values of properties across the board was witnessed in the past two years. Despite a 55% reduction in gross floor area sold in 2004 as compared to the previous year, the rise in selling price has allowed your Group to report a 29% increase in profit before tax from Macau operations.

Vietnam

Sheraton Saigon Hotel & Towers and Executive Residences The hotel, which your Group holds 63%, became fully operational in November 2003 and reported for 2004 its first full year results. Revenue increased by 166% and the hotel was able to turn in a profit from operations for the year. Due to the significant amounts of depreciation and amortization, however, the subsidiary reported a loss for the year. During 2004, the hotel has maintained its number one position in Ho Chi Minh City both in terms of occupancy rates and average room rates.

Caravelle Hotel, in which your Group holds a 25% interest, also reported a growth in turnover, which resulted in a 69% increase in contribution in profits to your Group. During 2004, the hotel has maintained its number two position in Ho Chi Minh City in terms of average room rates.

Chairman's Statement (Continued)

The People's Republic of China

Holiday Inn Riverside Wuban The hotel reported increases in both occupancy rates as well as average room rates in 2004 as compared to 2003, resulting in a 67% improvement in the hotel's gross operating profit for 2004. The subsidiary continued to report a loss in 2004 largely as a result of significant depreciation charges to the subsidiary. The loss however was significantly reduced as compared to 2003.

Beijing Riviera Development comprised a total of 635 units of luxurious villas and apartments. 437 units have been sold as at the end of 2004. Of the remaining 198 units, 155 units were leased out for rental income as at year-end.

Canada

Despite a difficult hotel market in Canada, **Doubletree International Plaza Hotel** in Toronto reported an increase in occupancy rates and average room rates, as well as an increase in profits. **Sheraton Ottawa Hotel** also reported an increase in room rates and a slight increase in operating profits. **Four Points Hotel Gatineau/Hull** suffered declines in average room rates, occupancy levels as well as a decrease in operating profits. As a whole, however, Canadian operations returned to a profit in 2004, as compared to the loss in 2003.

PROSPECTS

The property market in Macau has been undergoing a transformation in the past 24 months. This occurred on the back of a strong pick-up in the local economy, resulting from substantial inflow of overseas funds being committed to the gaming industry, the service industry, and the hotel and property sectors of the economy. There has also been a significant rise in disposable income of the local population, as evidenced by the 28% rise in Macau's gross domestic production in 2004 as compared to the previous year. The planned and ongoing economic, social and geographical integration of the Pearl River Delta ("PRD") and the acknowledged designation of Macau as the service and entertainment centre of the PRD have injected an element of certainty into Macau's future. With strong and able political leadership and a capable administration, overseas investors are committing to Macau's future with funds and resources. The boost to the Macau property sector, an industry in which your Group has over 25 years of experience, will allow your Group to continue to benefit from Macau's continuing development.

There have been improvements in the economies of Ho Chi Minh City, Wuhan, and the various cities in Canada in which your Group has hotel investments. All hotels are expected to continue to report operating profits before depreciation charges. Significant amounts of depreciation however will continue to have a dampening effect on accounting profits at the Sheraton Saigon Hotel & Towers and the Holiday Inn Riverside Wuhan.

Chairman's Statement (Continued)

ACKNOWLEDGEMENT

On behalf of the Board, I wish to express our sincere appreciation to the management and staff of your Group for their invaluable contribution and dedicated efforts in continuing to bring about improvement in your Group's operations and profitability.

Ho Kian Guan

Executive Chairman

Hong Kong, 21 April 2005

Report of the Directors

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The principal activities of the Group are property investment and development, hotel and club operations and the provision of management services.

The principal activities of the Company are investment holding and those of its subsidiaries are set out in Note 14 on the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in Note 11 on the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2004:

- (a) the aggregate amount of purchases attributable to the Group's five largest suppliers represented 42% of the Group's total purchases with the largest supplier accounting for 20% of the Group's total purchases.

The directors, Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong, have interests in the largest supplier of the Group. Save as disclosed above, at 31 December 2004, none of the directors, their associates or shareholders (which to the knowledge of the directors owned more than 5% of the Company's issued share capital) had any interest in the above five largest suppliers.

- (b) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2004 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 19 to 69.

An interim dividend of HK\$0.015 per share (2003: HK\$0.01 per share) was paid on 13 October 2004. The directors now recommend the payment of a final dividend of HK\$0.03 per share (2003: HK\$0.01 per share) in respect of the year ended 31 December 2004.

TRANSFER TO RESERVES

Profits attributable to shareholders, before dividends, of HK\$89,835,000 (2003: HK\$32,860,000) have been transferred to reserves.

FIXED ASSETS

Details of the movements in fixed assets during the year are set out in Note 12 on the financial statements.

Report of the Directors (Continued)

DIRECTORS

The directors during the financial year and up to the date of this report are:

Executive directors

HO Kian Guan (*Executive Chairman*)

HO Kian Hock (*Deputy Executive Chairman*)

TSE See Fan, Paul

Non-executive directors

HO Kian Cheong

* CHAN Yau Hing, Robin

* KWOK Chi Shun, Arthur

* WANG Poey Foon, Angela (appointed on 28 September 2004)

* *Independent non-executive directors*

Messrs Ho Kian Guan and Kwok Chi Shun, Arthur shall retire from the board of directors at the forthcoming annual general meeting in accordance with article 116 of the Company's articles of association and, being eligible, offer themselves for re-election.

Ms Wang Poey Foon, Angela was appointed as independent non-executive director and audit committee member of the Company on 28 September 2004. In accordance with Article 99, Ms Wang retire and being eligible for offer herself for re-election.

The Company has received annual confirmation of independence from the three independent non-executive directors in accordance of Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The board has assessed their independence and concluded that all the independent non-executive directors are independent within the definition of the Listing Rules.

The Company has not entered into service contracts with any of the above directors.

The appointment of directors is not for a fixed period of term.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES

The directors and chief executive of the Company who held office at 31 December 2004 had the following interests in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations") at that date as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

Report of the Directors (Continued)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES (Continued)

Number of Ordinary Shares (unless otherwise specified)

Long Positions:

Name of Company	Name of Directors	Personal Interests (1)	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Keck Seng Investments (Hong Kong) Ltd	Ho Kian Guan	480	-	197,516,320 (2)	-	197,516,800	58.06
	Ho Kian Hock	480	-	197,516,320 (2)	-	197,516,800	58.06
	Ho Kian Cheong	55,306,480	-	197,516,320 (2)	-	252,822,800	74.32
	Tse See Fan, Paul	288,720	-	-	-	288,720	0.08
	Chan Yau Hing, Robin	180,000	-	720,000 (3)	-	900,000	0.26
Lam Ho Investments Pte Ltd	Ho Kian Guan	-	-	495,000 (4)	-	495,000	9.90
	Ho Kian Hock	-	-	495,000 (4)	-	495,000	9.90
	Ho Kian Cheong	-	-	495,000 (4)	-	495,000	9.90
Shun Seng International Ltd	Ho Kian Guan	-	-	9,990 (4)	-	9,990	9.99
	Ho Kian Hock	-	-	9,990 (4)	-	9,990	9.99
	Ho Kian Cheong	-	-	9,990 (4)	-	9,990	9.99
Hubei Qing Chuan Hotel Co Ltd	Ho Kian Guan	-	-	US\$5,216,000 (4)	-	US\$5,216,000	32.00
	Ho Kian Hock	-	-	US\$5,216,000 (4)	-	US\$5,216,000	32.00
	Ho Kian Cheong	-	-	US\$5,216,000 (4)	-	US\$5,216,000	32.00
	Kwok Chi Shun, Arthur	-	-	US\$489,000 (5)	-	US\$489,000	3.00
Golden Crown Development Ltd	Ho Kian Guan	-	-	9,000,000 (6)	-	9,000,000	12.86
	Ho Kian Hock	-	-	9,000,000 (6)	-	9,000,000	12.86
	Ho Kian Cheong	-	-	9,000,000 (6)	-	9,000,000	12.86
	Tse See Fan, Paul	50,000	-	-	-	50,000	0.07
Ocean Gardens Management Co Ltd - quota of Ptc1,000	Ho Kian Guan	-	-	1 (4)	-	1	1.00
	Ho Kian Hock	-	-	1 (4)	-	1	1.00
	Ho Kian Cheong	-	-	1 (4)	-	1	1.00
Shun Cheong International Ltd	Ho Kian Guan	-	-	999 (4)	-	999	9.99
	Ho Kian Hock	-	-	999 (4)	-	999	9.99
	Ho Kian Cheong	-	-	999 (4)	-	999	9.99
	Kwok Chi Shun, Arthur	-	-	5,500 (7)	-	5,500	55.00
KSF Enterprises Sdn Bhd	Ho Kian Guan	-	-	7,500 (6)	-	7,500	75.00
	Ho Kian Hock	-	-	7,500 (6)	-	7,500	75.00
	Ho Kian Cheong	-	-	7,500 (6)	-	7,500	75.00
Chateau Ottawa Hotel Inc - common shares	Ho Kian Guan	-	-	450,000 (6)	-	450,000	5.00
	Ho Kian Hock	-	-	450,000 (6)	-	450,000	5.00
	Ho Kian Cheong	-	-	450,000 (6)	-	450,000	5.00
Chateau Ottawa Hotel Inc - preferred shares	Ho Kian Guan	-	-	370,000 (6)	-	370,000	5.00
	Ho Kian Hock	-	-	370,000 (6)	-	370,000	5.00
	Ho Kian Cheong	-	-	370,000 (6)	-	370,000	5.00

Report of the Directors (Continued)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES (Continued)

Notes:

- (1) This represents interests held by the relevant directors as beneficial owner.
- (2) This represents 100,869,360 shares held by Kansas Holdings Limited and 96,646,960 shares held by Goodland Limited, in which companies each of Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong had 1/3 interests indirectly.
- (3) This represents interests held by United Asia Enterprises Inc controlled by Chan Yau Hing, Robin.
- (4) This represents interests held by Goodland Limited in which each of Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong had 1/3 interests indirectly.
- (5) This represents interests held by AKAA Project Management International Limited which was wholly owned by Kwok Chi Shun, Arthur.
- (6) This represents same parcel of interests held by Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong through controlled corporations.
- (7) This represents interests held by Larcfort Incorporated in which Kwok Chi Shun, Arthur had not less than 1/3 interests.

Save as mentioned above, at 31 December 2004, none of the directors and chief executive of the Company or any of their associates had interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Report of the Directors (Continued)

SUBSTANTIAL INTERESTS AND SHORT POSITIONS IN SHARES

At 31 December 2004, the interests and short positions of those persons (other than the directors) in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions:

Name	Capacity in which shares were held	Number of ordinary shares held	% of total issued share capital of the Company
Ocean Inc. (Note 1, 2)	Interests of controlled corporations	197,516,320	58.1%
Pad Inc (Note 1)	Interests of controlled corporations	96,646,960	28.4%
Lapford Limited (Note 1)	Interests of controlled corporations	96,646,960	28.4%
Kansas Holdings Limited (Note 1)	Interests of controlled corporations	96,646,960	28.4%
Kansas Holdings Limited (Note 2)	Beneficial owner	100,869,360	29.7%
Goodland Limited (Note 1)	Beneficial owner	96,646,960	28.4%
Kerry Group Limited (Note 3)	Interests of controlled corporations	20,325,600	6.0%
Kerry Holdings Limited (Note 3)	Interests of controlled corporations	20,325,600	6.0%

Notes:

- (1) Ocean Inc, Pad Inc, Lapford Limited and Kansas Holdings Limited had deemed interests in the same 96,646,960 shares beneficially held by Goodland.
- (2) Ocean Inc had deemed interests in the same 100,869,360 shares beneficially held by Kansas Holdings Limited.
- (3) Kerry Holdings Limited is a wholly owned subsidiary of Kerry Group Limited and both had deemed interests in the same 20,325,600 shares held by the subsidiaries of Kerry Holdings Limited.

Save as mentioned above, at 31 December 2004, the Company had not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under section 336 of the SFO.

Report of the Directors (Continued)

MANAGEMENT ARRANGEMENTS

During the year ended 31 December 2004, there existed the following arrangements for an indefinite period:

- (1) Goodland acts as the project manager of Golden Crown's Ocean Gardens development in Taipa Island, Macau for a management fee and is also responsible for marketing the development. Goodland is also a major contractor for the development.
- (2) Goodland acts as project manager of the Sheraton Saigon, a hotel property held by Ocean Place Joint Venture Company Limited in the Socialist Republic of Vietnam.
- (3) Goodland provides management services to Ocean Incorporation Ltd. in return for a management fee.

Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong each had 1/3 indirect interest in Goodland (while Messrs Ho Kian Guan and Ho Kian Hock are also directors of Goodland) and they are deemed to be interested in the aforesaid transactions.

CONNECTED TRANSACTIONS

- (1) On 26 March 2004, the Company, Goodland, Larch Management Incorporated and AKA Project Management International Limited provided a guarantee, on a joint and several basis, to a bank in connection with a term loan facility obtained by a subsidiary, Hubei Qing Chuan Hotel Company Limited ("Qing Chuan"). Qing Chuan is a connected person of the Company by virtue of it being an associate of Goodland, a substantial shareholder of the Company. As such, the guarantee constitutes a connected transaction of the Company under the Listing Rules and a press announcement was made by the Company on 30 March 2004.

A term loan facility of up to an aggregate principal amount of US\$3,800,000 (approximately HK\$29,640,000) was made available by the bank for a period of three years subject to the terms and conditions of a facility agreement between Qing Chuan and the bank entered into on 26 March 2004. The interest rate shall be the sum of 1.46% per annum and 3 or 6 months' LIBOR at Qing Chuan's option. The option will be exercised at Qing Chuan's discretion. It is intended that Qing Chuan will choose whichever is the lower of LIBOR on an interest payment date.

Approximately 50% of the facility was used to finance and/or refinance the borrower's existing loans and approximately 50% was retained as the general working capital of the borrower.

Report of the Directors (Continued)

CONNECTED TRANSACTIONS (Continued)

The directors of the Company, including the independent non-executive directors, consider that the guarantee is granted upon normal commercial terms which are arrived at after arm's length negotiations. They consider that the terms of the guarantee are fair and reasonable. The obtaining of the facility by the borrower is in the interests of the Company as a whole due to the lower interest rate of the facility as compared to the then existing loans of the borrower.

- (2) On 15 February 2005, the Company entered into an Option to Purchase with the Purchasers, Ms Alexia Ho Wen Tsi, a daughter of Mr Ho Kian Guan (the Executive Chairman of the Company) and a co-purchaser, in relation to a disposal of a residential property which was currently vacant and located in 530 East Coast Road, Ocean Park, Singapore with a gross floor area of 196.0 square meter for a consideration of SGD1,200,000, (equivalent to approximately HK\$5,694,000) payable by way of cash of 1% of the purchase price as deposit upon signing of the Option to Purchase, a cash sum amounting to 10% of the purchase price less the deposit upon exercise of the Option to Purchase and the remaining balance to be paid in cash upon completion. The consideration was arrived at after arm's length negotiations between the Company and the Purchasers on normal commercial terms and by a property valuation report conducted on 9 November 2004 by an independent professional surveyor, CKS Property Consultants Pte Ltd at an open market value of SGD1,200,000. There was no recent transaction record on similar properties in open market.

As the daughter of the Executive Chairman of the Company is one of the Purchasers who is considered to be the associate of the Executive Chairman and therefore a connected person, the Option to Purchase constituted a connected transaction for the Company. The co-purchaser is an independent third party not connected with any of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates.

The book value of the property as at 15 February 2005 is HK\$2,255,000 and the Company is expected to gain approximately HK\$3,439,000 by way of the disposal. The property was rented out to an independent third party for the whole year of 2003 for rental income of HK\$160,000 and the first month of 2004 for rental income of HK\$14,000. After taking into account of the maintenance fees, management fees and other expenses for the years of 2003 and 2004, the net loss attributable to the property for the two financial years immediately preceding the transaction was HK\$30,000.

Report of the Directors (Continued)

CONNECTED TRANSACTIONS (Continued)

It is a common practice in Singapore for option to purchase to be entered into prior to the completion of sale and purchase of properties. The Option to Purchase was entered into in the ordinary course of business and on normal commercial terms. All the directors of the Company, including the independent non-executive directors, consider that the Option to Purchase was entered into in the ordinary course of business of the Company on normal commercial terms and was in the best interest of the Company. The sale of property was completed on 12 April 2005.

DIRECTORS' INTERESTS IN CONTRACTS

For the year ended 31 December 2004, certain subsidiaries of the Company had transactions with Goodland as set out in Note 30 on the financial statements.

Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong each had 1/3 indirect interest in Goodland (while Messrs Ho Kian Guan and Ho Kian Hock are also directors of Goodland) and they are deemed to be interested in the aforesaid transactions.

Apart from the foregoing and the management arrangements set out on page 10 of the directors' report, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

One of the direct competitors of the Group's hotel in Wuhan, Holiday Inn Riverside Wuhan, is the Shangri-La Hotel, Wuhan whose majority owner and operator is Shangri-La Asia Limited ("SAL").

Mr Ho Kian Guan is a non-executive director of SAL, a company whose shares are listed on the Hong Kong Stock Exchange and Mr Ho Kian Hock is his alternate on the board of SAL.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S OWN SHARES

No purchase, sale or redemption of the Company's own shares was made by the Company or any of its subsidiaries during the year.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group at 31 December 2004 are set out in Notes 20 and 23 on the financial statements.

Report of the Directors (Continued)

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 70 of the annual report.

PROPERTIES

Particulars of the properties and property interests held by the Group are shown on pages 71 to 72 of the annual report.

PERSONNEL

At 31 December 2004, the Company and its subsidiaries had approximately 1,617 employees. A policy of localizing as many of the positions as possible is in place throughout the Group, subject to suitable and sufficient local executives and staff with relevant qualifications and experiences being available. Salary and remuneration are competitive and are based on varying conditions of human resources in the different countries in which the Company and its subsidiaries operate.

RETIREMENT SCHEMES

The Group has defined contribution schemes in Hong Kong, the People's Republic of China and Vietnam. Particulars of these retirement schemes are set out in Note 26 on the financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report of the Company, other than the directors of the Company are not appointed for specific terms but subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company.

All directors, except one, have confirmed that they have complied with the required standard set out in the Model Code during the applicable period. However, the Company is aware of instances where a director has not complied with Rule B.8 of the Model Code and section 348 of the SFO. The Company has reminded the said director in writing of his obligations under the Model Code and the SFO and will continue to monitor the compliance record of the said director.

Report of the Directors (Continued)

AUDIT COMMITTEE

The audit committee presently comprises three independent non-executive directors and reports to the board of directors. The audit committee regularly meets with the Group's senior management and external auditors, to review the effectiveness of the internal control systems and the interim and annual reports, including the audited consolidated financial statements of the Group for the year ended 31 December 2004.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board
Ho Kian Guan
Executive Chairman

Hong Kong, 21 April 2005

Other Corporate Information

FINANCIAL REVIEW

The Group's turnover was HK\$403,668,000 for the year ended 31 December 2004, an increase of 19% over the corresponding period in 2003. This increase was due primarily to higher revenue generated by sale of properties in Macau and revenue generated from the operation of the Sheraton Saigon Hotel in Vietnam. Profit from operations amounted HK\$117,097,000 for the year ended 31 December 2004 as compared to a profit of HK\$40,934,000 in 2003. Profit attributable to shareholders amounted to HK\$89,835,000 for the year ended 31 December 2004.

The Group's net borrowings as at 31 December 2004 amounted to approximately HK\$51,062,000, representing total bank loans and other borrowings of HK\$495,856,000 less cash equivalents of HK\$444,794,000. The Group's ratio of net borrowings to total assets was 2%. Of the total amount of bank borrowings of HK\$285,707,000, HK\$115,442,000 are repayable within twelve months and the remaining of HK\$170,265,000 are repayable after twelve months.

The Group's bank borrowings are mostly in Hong Kong dollars and United States dollars. Cash and cash equivalents are mostly in Hong Kong dollars, Euros, Australian dollars and United States dollars. Most of the Group's bank borrowings are on a floating rate basis. Taking into account cash in hand and available credit facilities, the Group has sufficient working capital for its present requirements.

PLEDGE OF ASSETS

As at 31 December 2004, the secured bank loan facilities granted to the Group were secured by mortgages over the Group's assets, including hotel properties and related assets and properties under development with an aggregate carrying value of approximately HK\$958.8 million.

CONTINGENT LIABILITIES

At 31 December 2004, there were outstanding counter indemnities relating to guarantees issued by bankers of a subsidiary in favour of the Macau SAR Government in respect of properties under development amounting to HK\$6,311,000 (2003: HK\$6,311,000).

At 31 December 2004, there were guarantees given by a subsidiary to banks on behalf of purchasers of flats amounting to HK\$Nil (2003: HK\$37,379,000).

At 31 December 2004, guarantees given by the Company to banks to secure banking facilities made available to the subsidiaries and the associates amounted to HK\$134.5 million and HK\$66.7 million (2003: HK\$182.3 million and HK\$62.0 million) respectively.

At 31 December 2004, guarantees given by a subsidiary and the Company to a bank to secure banking facilities made available to its associate amounted to HK\$32.3 million (2003: HK\$37.5 million).

Other Corporate Information (Continued)

CONTINGENT LIABILITIES (Continued)

To finance the capital expenditure of its subsidiary, an intermediate subsidiary provided a guarantee to a bank to secure a banking facility made available to the Company. At 31 December 2004, the guarantee granted by the subsidiary amounted to HK\$62.1 million (2003: HK\$62.0 million).

Pursuant to the revised agreement with the Macau SAR Government on 29 August 2003, a subsidiary of the Group is required to complete the remaining phases of the development project by 4 September 2005. Failure to complete the remaining phases of the development by the deadline would give rise to the possibility of fines being imposed by the Macau SAR Government in a manner more particularly described in Note 28 on the financial statements. Delays beyond the 180-day period would give rise to the possibility of rescission of the lease by the Macau SAR Government without compensation to the subsidiary. The directors are confident that the remaining phase of its development project will be completed by 4 September 2005.

DETAILS OF DIRECTORS PROFILES

Mr HO Kian Guan, aged 59, is the Executive Chairman of the Company. He was appointed as a director of the Company on 5 December 1979. He is also a director of Ocean Inc, Pad Inc, Lapford Limited, Goodland Limited and Kansas Holdings Limited, all of which are substantial shareholders of the Company. Mr Ho is also the Chairman and director of Keck Seng (Malaysia) Berhad, (a company listed on the Malaysia Securities Exchange Berhad (the "MSE")). He also serves on the board of Shangri-La Asia Limited (a company listed on the Hong Kong Stock Exchange), Petaling Garden Berhad, Pelangi Berhad (both companies listed on the MSE), Parkway Holdings Limited (a company listed on the Singapore Exchange Securities Trading Limited) and Shangri-La Hotel Public Company Limited, Thailand (a company listed on the Stock Exchange of Thailand). He is a brother of Mr Ho Kian Hock and Mr Ho Kian Cheong.

Mr HO Kian Hock, aged 57, is the Deputy Executive Chairman of the Company. He was appointed as a director of the Company on 19 December 1979. He is also a director of Ocean Inc, Pad Inc, Lapford Limited, Goodland Limited and Kansas Holdings Limited, all of which are substantial shareholders of the Company. Mr Ho is also the Managing Director of Keck Seng (Malaysia) Berhad and a director of Petaling Garden Berhad and Pelangi Berhad (all three companies listed on the MSE). He also serves on the board of Shangri-La Asia Limited (a company listed on the Hong Kong Stock Exchange) as alternate director. He is a brother of Mr Ho Kian Guan and Mr Ho Kian Cheong.

Mr TSE See Fan, Paul, aged 50, is an executive director of the Company. He was appointed as a director of the Company on 5 December 1979. He is also a director of Lapford Limited, Goodland Limited and Kansas Holdings Limited which are substantial shareholders of the Company.

Other Corporate Information (Continued)

DETAILS OF DIRECTORS PROFILES (Continued)

Mr HO Kian Cheong, aged 55, is a non-executive director of the Company. He was appointed as a director of the Company on 5 December 1979. He is also a director of Keck Seng (Malaysia) Berhad (a company listed on the MSE). He is a brother of Mr Ho Kian Guan and Mr Ho Kian Hock.

Dr CHAN Yau Hing, Robin, GBS, LLD, JP, aged 72, is an independent non-executive director of the Company. He was appointed as a director of the Company on 8 September 1988. He is also the Chairman and Managing Director of Asia Financial Holdings Limited and a director of K. Wah International Holdings Limited and Liu Chong Hing Bank Limited (companies listed on the Hong Kong Stock Exchange), the Chairman of Asia Commercial Bank Ltd and Asia Insurance Company, Limited. He is also a director and adviser of numerous other companies with over 40 years experience in banking business. Dr Chan was awarded the Knight Commander (Second Class) of the Most Noble Order of the Crown of Thailand by His Majesty, the King of Thailand and the Gold Bauhinia Star of the Hong Kong Special Administrative Region Government of the People's Republic of China. He is also a Deputy to the Chinese National People's Congress and the Ex-officio Life Honorary Chairman of the Chinese General Chamber of Commerce, Hong Kong.

Mr KWOK Chi Shun, Arthur, aged 59, is an independent non-executive director of the Company. He was appointed as a director of the Company on 3 January 1995. He is a professional architect with extensive architectural, town planning and interior design experience and has wide business interests in property development, merchandise retailing and wholesale. He is also the Commandant of the Hong Kong Auxiliary Police Force.

Ms WANG Poey Foon, Angela, aged 47, was appointed as an independent non-executive director of the Company on 28 September 2004. Ms Wang holds an LLB (Hons) degree from the National University of Singapore, and is an Advocate and Solicitor (Singapore), Solicitor (Hong Kong and United Kingdom). She has practised with major law firms in Singapore, Australia and Hong Kong and is currently the senior partner of a firm of solicitors in Hong Kong. She is also a non-executive director of Vision Century Corporation Limited (a company listed on the Hong Kong Stock Exchange).

Auditors' Report



TO THE SHAREHOLDERS OF KECK SENG INVESTMENTS (HONG KONG) LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 19 to 69 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Hong Kong Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants

Hong Kong, 21 April 2005

Consolidated Profit and Loss Account

For the year ended 31 December 2004

	Note	2004 HK\$'000	2003 HK\$'000
Turnover	2	403,668	339,524
Cost of sales		<u>(81,680)</u>	<u>(143,878)</u>
		321,988	195,646
Other revenue	3(a)	10,629	10,173
Other net income	3(b)	16,244	19,501
Direct operating expenses		(24,863)	(32,855)
Marketing and selling expenses		(14,446)	(7,320)
Depreciation		(94,411)	(77,843)
Administrative and other operating expenses		<u>(98,044)</u>	<u>(66,368)</u>
Profit from operations		117,097	40,934
Finance costs	4(a)	(8,139)	(8,467)
Share of profits less losses of associates		<u>16,533</u>	<u>11,741</u>
Profit from ordinary activities before taxation	4	125,491	44,208
Income tax	5(a)	<u>(5,380)</u>	<u>(12,056)</u>
Profit after taxation		120,111	32,152
Minority interests		<u>(30,276)</u>	<u>708</u>
Profit attributable to shareholders	8 & 25	<u>89,835</u>	<u>32,860</u>
Dividends attributable to the year:	9		
Interim dividend paid – HK\$0.015 (2003: HK\$0.01) per share		5,103	3,402
Proposed final dividend – HK\$0.03 (2003: HK\$0.01) per share		<u>10,206</u>	<u>3,402</u>
		<u>15,309</u>	<u>6,804</u>
Basic earnings per share	10	<u>26.4 cents</u>	<u>9.7 cents</u>

The notes on pages 25 to 69 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2004

	Note	2004		2003	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Fixed assets					
– Investment properties	12(a)		158,000		147,000
– Other properties and fixed assets	12(a)		945,602		1,014,065
			1,103,602		1,161,065
Interest in associates	15		353,677		346,906
Non-trading investments	16		818		804
			1,458,097		1,508,775
Current assets					
Properties under development	13	85,475		66,827	
Properties held for sale	17	238,833		305,326	
Inventories		3,761		3,120	
Trade and other receivables	18	27,734		56,362	
Cash and cash equivalents	19	444,794		287,584	
		800,597		719,219	
Current liabilities					
Bank overdrafts	20	39		4	
Bank loans	20	115,442		142,009	
Trade and other payables	21	92,770		81,581	
Amounts due to an affiliated company	30	77,855		105,342	
Loans from associates		1,364		1,364	
Loans from minority shareholders	23	30,222		–	
Taxation	22(a)	43,566		43,481	
		361,258		373,781	
Net current assets			439,339		345,438
Total assets less current liabilities			1,897,436		1,854,213
Non-current liabilities					
Bank loans	20	170,265		138,560	
Loans from minority shareholders	23	100,669		197,120	
			(270,934)		(335,680)
Minority interests			(191,571)		(176,725)
NET ASSETS			1,434,931		1,341,808
Capital and reserves					
Share capital	24		340,200		340,200
Reserves	25		1,094,731		1,001,608
			1,434,931		1,341,808

Approved and authorised for issue by the board of directors on 21 April 2005

Ho Kian Guan
Executive Chairman

Tse See Fan, Paul
Executive Director

The notes on pages 25 to 69 form part of these financial statements.

Balance Sheet

At 31 December 2004

	Note	2004		2003	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Fixed assets					
– land and buildings	12(b)		3,862		3,937
– furniture and fixtures	12(b)		301		402
Interest in subsidiaries	14		851,140		831,691
Interest in associates	15		134,875		146,024
Non-trading investments	16		818		804
			<u>990,996</u>		<u>982,858</u>
Current assets					
Properties held for sale	17	14,903		14,903	
Trade and other receivables	18	131		83	
Cash and cash equivalents	19	81,285		51,746	
			<u>96,319</u>		<u>66,732</u>
Current liabilities					
Bank overdrafts and loans	20	83,656		118,462	
Trade and other payables	21	2,382		884	
Taxation	22(a)	–		40	
			<u>86,038</u>		<u>119,386</u>
Net current assets/(liabilities)			<u>10,281</u>		<u>(52,654)</u>
Total assets less current liabilities			<u>1,001,277</u>		<u>930,204</u>
Non-current liabilities					
Bank loans	20	31,060		–	
Amounts due to subsidiaries	14	540		3,410	
			<u>(31,600)</u>		<u>(3,410)</u>
NET ASSETS			<u>969,677</u>		<u>926,794</u>
Capital and reserves					
Share capital	24	340,200		340,200	
Reserves	25	629,477		586,594	
			<u>969,677</u>		<u>926,794</u>

Approved and authorised for issue by the board of directors on 21 April 2005

Ho Kian Guan
Executive Chairman

Tse See Fan, Paul
Executive Director

The notes on pages 25 to 69 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2004

	Note	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Shareholders' equity at 1 January		<u>1,341,808</u>	<u>1,303,924</u>
Surplus on revaluation of investment properties	25	8,649	2,847
Surplus on revaluation of non-trading investments	25	14	24
Exchange differences on translation of the financial statements of foreign entities	25	<u>3,130</u>	<u>5,555</u>
Net gains not recognised in the consolidated profit and loss account		<u>11,793</u>	<u>8,426</u>
Net profit for the year		<u>89,835</u>	<u>32,860</u>
Dividends declared or approved during the year	25	<u>(8,505)</u>	<u>(3,402)</u>
Shareholders' equity at 31 December		<u>1,434,931</u>	<u>1,341,808</u>

The notes on pages 25 to 69 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2004

	Note	2004 HK\$'000	2003 HK\$'000
Operating activities			
Profit from ordinary activities before taxation		125,491	44,208
Adjustments for:			
– Interest income		(6,244)	(2,810)
– Dividend income from non-trading listed investments		(24)	(17)
– Depreciation		94,411	77,843
– Finance costs		8,139	8,467
– Share of profits less losses of associates		(16,533)	(11,741)
– Loss on disposal of fixed assets		4,754	5
– Effect of foreign exchange rates		(17,846)	4,246
		<hr/>	<hr/>
Operating profit before changes in working capital		192,148	120,201
Increase in properties under development		(18,648)	(72,784)
Decrease in properties held for sale		66,493	134,641
Increase in inventories		(641)	(1,109)
Decrease/(increase) in trade and other receivables		28,628	(22,885)
Increase in trade and other payables		11,189	26,636
Decrease in amounts due to an affiliated company		(27,487)	(8,862)
		<hr/>	<hr/>
Cash generated from operations		251,682	175,838
Overseas tax paid		(3,589)	(1,453)
		<hr/>	<hr/>
Net cash generated from operating activities		248,093	174,385
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Investing activities			
Purchase of fixed assets		(28,279)	(79,765)
Proceeds from disposal of fixed assets		104	–
Repayment from associates		11,144	31,332
Interest received		6,244	2,810
Dividends received from non-trading listed investments		24	17
		<hr/>	<hr/>
Net cash used in investing activities		(10,763)	(45,606)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

Consolidated Cash Flow Statement (Continued)

For the year ended 31 December 2004

	Note	2004 HK\$'000	2003 HK\$'000
Financing activities			
Draw down of new bank loans		49,507	50,872
Repayment of bank loans		(44,369)	(40,657)
(Repayment to)/advance from minority shareholders		(66,229)	14,642
Interest paid		(8,139)	(8,467)
Dividends paid		(8,505)	(3,402)
Dividends paid to minority shareholders		(17,781)	(16,458)
Net cash used in financing activities		(95,516)	(3,470)
Net increase in cash and cash equivalents		141,814	125,309
Cash and cash equivalents at 1 January		287,580	162,271
Effect of foreign exchange rates changes		15,361	–
Cash and cash equivalents at 31 December	19	444,755	287,580

The notes on pages 25 to 69 form part of these financial statements.

Notes on the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which include all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Company and the Group is set out below.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties and the marking to market of certain investments in securities as explained in the accounting policies set out below.

(c) Subsidiaries

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital or controls more than half the voting power or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in accordance with the policy for investments in securities (see Note 1(k)).

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet separately from liabilities and shareholders' equity. Minority interests in the results of the Group for the year are also separately presented in the consolidated profit and loss account.

Notes on the Financial Statements (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries (Continued)

Where losses attributable to the minority exceed the minority interest in the net assets of a subsidiary, the excess and any further losses attributable to the minority are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. All subsequent profits of the subsidiary are allocated to the Group until the minority's share of losses previously absorbed by the Group has been recovered.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see Note 1(j)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in accordance with the policy for investments in securities (see Note 1(k)).

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor, in which case it is stated at fair value with changes in fair value recognised in accordance with the policy for investments in securities (see Note 1(k)). The consolidated profit and loss account reflects the Group's share of the post-acquisition results of the associates for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with Note 1(e). When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Notes on the Financial Statements (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associates (Continued)

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the profit and loss account.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. In the Company's balance sheet, its investments in associates are stated at cost less impairment losses (see Note 1(j)) unless an associate is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor or venturer, in which case, it is stated at fair value with changes in fair value recognised in accordance with the policy for investments in securities (see Note 1(k)).

(e) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries and associates, positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life which does not exceed 20 years. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see Note 1(j)).

Negative goodwill arising on acquisitions of controlled subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss account over the useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated profit and loss account.

On disposal of a controlled subsidiary or an associate during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated profit and loss account is included in the calculation of the profit or loss on disposal.

Notes on the Financial Statements (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed assets

- (i) Fixed assets are carried in the balance sheets on the following bases:
 - investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers;
 - land and buildings, hotel properties and other properties are stated in the balance sheet at cost less accumulated depreciation (see Note 1(i)) and impairment losses (see Note 1(j)).
 - furniture, fixtures and equipment and other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see Note 1(i)) and impairment losses (see Note 1(j)).
- (ii) Changes arising on the revaluation of investment properties are generally dealt with in reserves. The only exceptions are as follows:
 - when a deficit arises on revaluation, it will be charged to the profit and loss account, if and to the extent that it exceeds the amount held in the reserve in respect of the portfolio of investment properties immediately prior to the revaluation; and
 - when a surplus arises on revaluation, it will be credited to the profit and loss account, if and to the extent that a deficit on revaluation in respect of the portfolio of investment properties had previously been charged to the profit and loss account.
- (iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.
- (iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the profit and loss account for the year.

Notes on the Financial Statements (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Properties under development

Properties under development are stated at specifically identified cost, including borrowing costs capitalised, aggregate cost of development, materials and supplies, wages and other direct expenses, less any provisions considered necessary by the directors.

Properties under development are transferred to fixed assets or properties held for sale upon the date of practical completion.

(h) Properties held for sale

Properties held for sale are stated at the lower of cost and the estimated net realisable value. In the case of properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, including borrowing costs capitalised, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

(i) Depreciation

(i) *Investment properties*

No depreciation is provided on investment properties with an unexpired lease term of more than 20 years, including guaranteed renewal periods, since the valuation takes into account the state of the property at the date of valuation.

(ii) *Properties under development*

No depreciation is provided on properties under development.

(iii) *Hotel properties*

Depreciation on hotel properties is provided on a straight line basis over the shorter of the joint venture period and 25 years on the cost of the hotel properties.

(iv) *Land and buildings and other properties*

Depreciation is provided on a straight line basis over the unexpired period of the lease.

(v) *Other fixed assets*

Depreciation is calculated to write off the cost of these assets on a straight line basis over their estimated useful lives as follows:

Furniture, fixtures and equipment	–	3 to 5 years
Motor vehicles	–	6 ² / ₃ years

Notes on the Financial Statements (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets (other than properties carried at revalued amounts);
- investments in subsidiaries and associates; and
- positive goodwill (recognised as an asset).

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the profit and loss account whenever the carrying amount of such an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the assets. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised.

Notes on the Financial Statements (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Investments in securities

The Group's and the Company's policies for investments in securities other than investments in subsidiaries and associates are as follows:

- (i) Non-trading investments are stated in the balance sheet at their fair values. Changes in fair value are recognised in the investment revaluation reserve until the investment is sold, collected, or otherwise disposed of, or until there is objective evidence that the investment is impaired, at which time the relevant cumulative gain or loss is transferred from the investment revaluation reserve to the profit and loss account.
- (ii) Transfers from the investment revaluation reserve to the profit and loss account as a result of impairments are reversed when the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.
- (iii) Profits or losses on disposal of non-trading investments are accounted for in the profit and loss account as they arise. The profit or loss includes any amount previously held in the investment revaluation reserve in respect of that investment.

(l) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost represents purchase cost computed on a first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Notes on the Financial Statements (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(n) Employee benefits

- (i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and central pension schemes operated by the local governments in Mainland China are recognised as an expense in the profit and loss account as incurred, except to the extent that they are included in the cost of intangible assets and inventories not yet recognised as an expense.
- (iii) Contributions to the social insurance fund schemes operated by the local governments in Vietnam are recognised as an expense in the profit and loss account as incurred, except to the extent that they are incurred during the construction period, in which case they are capitalised as part of properties under development.
- (iv) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Notes on the Financial Statements (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Income tax

- (i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the profit and loss account except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.
- (ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
- (iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

All deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Notes on the Financial Statements (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Income tax (Continued)

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

- (iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:
- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
 - in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Notes on the Financial Statements (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

- (i) Revenue arising from the sale of properties is recognised upon the completion of the sales agreements or the issue of an occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under trade and other payables.
- (ii) Rental income receivable under operating leases is recognised in the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.
- (iii) Hotel and club revenue from room rental, food and beverage sales and other ancillary services is recognised when the services are rendered.
- (iv) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding and the rates applicable.
- (v) Management fees are recognised when the services are rendered.

Notes on the Financial Statements (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date.

The results of overseas subsidiaries and associates are translated into Hong Kong dollars at the average exchange rate for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date.

Exchange gains and losses on foreign currency translation are dealt with in the profit and loss account, except for those arising from the translation of the financial statements of overseas subsidiaries and associates which are taken directly to the exchange reserve.

(s) Operating leases

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the profit and loss account as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the profit and loss account in the accounting period in which they are incurred.

(t) Borrowing costs

Borrowing costs are expensed in the profit and loss account in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Notes on the Financial Statements (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Affiliated companies

An affiliated company is a company, not being a subsidiary or an associate, in which a director of the Company has a significant beneficial interest.

(v) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities and include affiliated companies.

(w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services within a particular economic environment (geographical segment), or in providing products or services (business segment), which is subject to risks and rewards that are different from those of other segments.

Information relating to geographical segments based on the location of assets is chosen as the primary reporting format because this is considered by management to be more relevant to the Group in making operating and financial decisions.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing borrowings and corporate expenses.

Notes on the Financial Statements (Continued)

2. TURNOVER

The principal activities of the Group are property investment and development, hotel and club operations and the provision of management services.

Turnover represents the proceeds from the sale of properties, rental income and income from hotel and club operations and the provision of management services. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Proceeds from the sale of properties	162,330	223,033
Hotel and club operations	227,346	103,677
Rental income	9,005	8,031
Management fee income	4,987	4,783
	<u>403,668</u>	<u>339,524</u>

3. OTHER REVENUE AND OTHER NET INCOME

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
(a) Other revenue		
Interest income	6,244	2,810
Dividend income from non-trading listed investments	24	17
Other revenue from hotel operations and miscellaneous income	4,361	7,346
	<u>10,629</u>	<u>10,173</u>
(b) Other net income		
Exchange gain	20,998	19,435
Loss on disposal of fixed assets	(4,754)	(5)
Loss on liquidation of a subsidiary	–	(18)
Others	–	89
	<u>16,244</u>	<u>19,501</u>

Notes on the Financial Statements (Continued)

4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
(a) Finance costs		
Interest on bank overdrafts and other borrowing wholly repayable within five years	4,858	8,106
Interest on other loans	3,189	–
Interest paid on amounts due to an affiliated company	67	889
Other borrowing costs	28	121
	<u>8,142</u>	<u>9,116</u>
Total borrowing costs		
Less: Borrowing costs capitalised into properties under development*	(3)	(649)
	<u>8,139</u>	<u>8,467</u>

* The borrowing costs have been capitalised at a rate of 2.3% per annum (2003: 3.6% per annum) for properties under development.

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
(b) Staff costs		
Contributions to defined contribution retirement schemes	1,264	919
Salaries, wages and other benefits	38,788	28,716
	<u>40,052</u>	<u>29,635</u>
(c) Other items		
Cost of properties sold (including the release of provisions for construction costs (note))	55,988	136,762
Cost of inventories	25,692	6,522
Auditors' remuneration	1,016	1,097
Operating lease charges for hire of premises	254	254
Rentals receivable from investment properties less direct outgoings	(8,002)	(6,016)
Rentals receivable from serviced apartments less direct outgoings	(76,311)	(40,408)

Notes on the Financial Statements (Continued)

4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION (Continued)

Note: The financial statements include provisions for construction costs for work performed, which are estimated based on information available to the directors, including independent surveyors' reports, where applicable. Upon completion of certain units of a property development during the year ended 31 December 2004, the directors have reassessed the adequacy of provisions for construction costs for this property development based on information provided by an independent surveyor on 8 July 2004, and provisions for construction costs amounting to HK\$16,866,000 have been released to cost of sales in the consolidated profit and loss account for the year ended 31 December 2004 (2003: HK\$Nil).

5. INCOME TAX IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(a) Taxation in the consolidated profit and loss account represents:

	2004	2003
	HK\$'000	HK\$'000
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	–	–
Current tax – Overseas		
Tax for the year	16,755	13,811
Over-provision in respect of prior years (note)	(13,081)	(652)
	3,674	13,159
Share of associates' taxation	1,706	(1,103)
Total income tax expense	5,380	12,056

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

Note: In prior years, the directors provided for Macau complementary tax based on information available to the Group at that time. During the year ended 31 December 2004, the directors have reassessed the adequacy of those provisions and as a result of this evaluation, provisions for Macau complementary tax totalling HK\$13,106,000 have been released to the consolidated profit and loss account for the year ended 31 December 2004.

Notes on the Financial Statements (Continued)

5. INCOME TAX IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT (Continued)

- (b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2004 HK\$'000	2003 HK\$'000
Profit before tax	<u>125,491</u>	<u>44,208</u>
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	18,828	4,222
Tax effect of non-deductible expenses	2,149	2,594
Tax effect of non-taxable revenue	(13,117)	(9,537)
Tax effect of unused tax losses not recognised	12,073	16,683
Tax effect of prior years' tax losses utilised this year	(972)	(58)
Tax effect of temporary differences not recognised	(500)	31
Over-provision in prior years	(13,081)	(652)
Tax effect of change of rate of tax applicable to associates	<u>—</u>	<u>(1,227)</u>
Actual tax expense	<u>5,380</u>	<u>12,056</u>

Notes on the Financial Statements (Continued)

6. DIRECTORS' REMUNERATION

- (a) Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2004	2003
	HK\$'000	HK\$'000
Fees	346	60
Salaries and other emoluments	–	240
Discretionary and performance related bonuses	–	–
Retirement scheme contributions	–	–
	<u>346</u>	<u>300</u>

Included in the above are the following payments to independent non-executive directors:

	2004	2003
	HK\$'000	HK\$'000
Fees	<u>96</u>	<u>10</u>

- (b) The directors' remuneration is in the following range:

	2004	2003
	Number of directors	Number of directors
HK\$Nil – HK\$1,000,000	<u>7</u>	<u>6</u>

For the years ended 31 December 2004 and 2003, the directors' remuneration is as follows:

	2004	2003
	HK\$'000	HK\$'000
Executive directors		
– Ho Kian Guan	100	20
– Ho Kian Hock	50	10
– Tse See Fan, Paul	50	10
Non-executive director		
– Ho Kian Cheong	50	250
Independent non-executive directors		
– Chan Yau Hing, Robin	45	5
– Kwok Chi Shun, Arthur	45	5
– Wang Poey Foon, Angela	6	–
(newly appointed on 28 September 2004)		
	<u>346</u>	<u>300</u>

Notes on the Financial Statements (Continued)

7. MANAGEMENT REMUNERATION

- (a) The aggregate amount of the remuneration of the five (2003: five) employees who, not being directors of the Company, are amongst the top five highest paid individuals, including directors, employed by the Group is as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and other emoluments	3,783	4,449
Discretionary and performance related bonuses	2,085	1,648
Retirement scheme contributions	237	268
	<u>6,105</u>	<u>6,365</u>

- (b) The employees' remuneration is in the following range:

	2004 Number of individuals	2003 Number of individuals
HK\$Nil – HK\$1,000,000	1	–
HK\$1,000,001 – HK\$2,000,000	4	4
HK\$2,000,001 – HK\$3,000,000	–	1

8. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of HK\$51,374,000 (2003: HK\$50,369,000) which has been dealt with in the financial statements of the Company.

Notes on the Financial Statements (Continued)

9. DIVIDENDS

(a) Dividends attributable to the year

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend declared and paid of HK\$0.015 (2003: HK\$0.01) per share	5,103	3,402
Final dividend proposed after the balance sheet date of HK\$0.03 (2003: HK\$0.01) per share	10,206	3,402
	<u>15,309</u>	<u>6,804</u>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.01 (2003: HK\$Nil) per share	<u>3,402</u>	<u>–</u>

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$89,835,000 (2003: HK\$32,860,000) and on the 340,200,000 ordinary shares in issue during both years ended 31 December 2004 and 2003.

Notes on the Financial Statements (Continued)

11. SEGMENT REPORTING

(a) Geographical segments by the location of assets

The Group's business operations are sub-divided into Macau, the People's Republic of China ("PRC"), the Socialist Republic of Vietnam ("Vietnam"), Canada and other markets classified by the location of assets.

Geographical segments

	Year ended 31 December 2004 (HK\$'000)					Total
	Macau	PRC	Vietnam	Canada	Others	
Turnover	179,557	40,746	181,903	861	601	403,668
Other revenue						
– allocated	5,113	2,319	1,374	–	–	8,806
– unallocated	–	–	–	–	1,823	1,823
Total revenue	184,670	43,065	183,277	861	2,424	414,297
Segment results	108,224	(5,381)	5,044	351	8,859	117,097
Finance costs	(170)	(1,857)	–	–	(6,112)	(8,139)
Share of profits less losses of associates	(15)	7,081	8,530	940	(3)	16,533
Profit/(loss) from ordinary activities before taxation	108,039	(157)	13,574	1,291	2,744	125,491
Income tax						(5,380)
Profit from ordinary activities after taxation						120,111
Minority interests	(32,447)	4,094	(1,863)	–	(60)	(30,276)
Profit attributable to shareholders						89,835
Depreciation	4,040	13,480	76,715	–	176	94,411
Capital expenditure incurred during the year	19,107	10,890	16,930	–	–	46,927
Segment assets #	555,312	182,496	703,815	–	17,887	1,459,510
Interest in associates	–	143,306	153,906	51,491	4,974	353,677
Unallocated assets	–	–	–	–	445,507	445,507
Total assets	555,312	325,802	857,721	51,491	468,368	2,258,694
Segment liabilities #	86,302	76,638	47,869	8	242,850	453,667
Unallocated liabilities	–	–	–	–	178,525	178,525
Total liabilities	86,302	76,638	47,869	8	421,375	632,192
Minority interests						191,571

Notes on the Financial Statements (Continued)

11. SEGMENT REPORTING (Continued)

(a) Geographical segments by the location of assets (Continued)

	Year ended 31 December 2003 (HK\$'000)					Total
	Macau	PRC	Vietnam	Canada	Others	
Turnover	238,765	33,562	65,500	786	911	339,524
Other revenue						
– allocated	844	2,974	3,488	–	–	7,306
– unallocated	–	–	–	–	2,867	2,867
Total revenue	239,609	36,536	68,988	786	3,778	349,697
Segment results	85,084	(22,104)	(28,838)	(768)	7,560	40,934
Finance costs	(1,070)	(2,258)	–	(2)	(5,137)	(8,467)
Share of profits less losses of associates	(27)	8,799	5,035	(2,063)	(3)	11,741
Profit/(loss) from ordinary activities before taxation	83,987	(15,563)	(23,803)	(2,833)	2,420	44,208
Income tax						(12,056)
Profit from ordinary activities after taxation						32,152
Minority interests	(24,417)	14,310	10,531	–	284	708
Profit attributable to shareholders						32,860
Depreciation	4,205	26,141	47,319	–	178	77,843
Capital expenditure incurred during the year	73,057	1,874	77,314	–	18	152,263
Segment assets #	619,288	186,399	769,385	393	18,002	1,593,467
Interest in associates	–	136,868	157,777	47,275	4,986	346,906
Unallocated assets	–	–	–	–	287,621	287,621
Total assets	619,288	323,267	927,162	47,668	310,609	2,227,994
Segment liabilities #	67,007	59,689	34,447	487	245,368	406,998
Unallocated liabilities	–	–	–	–	302,463	302,463
Total liabilities	67,007	59,689	34,447	487	547,831	709,461
Minority interests						176,725

Segment assets and liabilities are before elimination of inter-segment balances.

Notes on the Financial Statements (Continued)

11. SEGMENT REPORTING (Continued)

(b) Business segments

The Group comprises the following main business segments:

- (i) Property development, investment and provision of management services
- (ii) Hotel and club operations

Business segments

	Year ended 31 December (HK\$'000)							
	Property development, investment and management		Hotel and club operations		Unallocated		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
Revenue from external customers	176,322	235,847	227,346	103,677	-	-	403,668	339,524
Segment assets #	715,976	773,967	1,092,237	1,161,420	450,481	292,607	2,258,694	2,227,994
Contribution to profit/(loss) from operations	117,203	93,535	(106)	(52,601)	-	-	117,097	40,934
Capital expenditure incurred during the year	19,107	73,075	27,820	79,188	-	-	46,927	152,263

Segment assets are before elimination of inter-segment balances.

Notes on the Financial Statements (Continued)

12. FIXED ASSETS

(a) The Group

	Land and buildings HK\$'000	Hotel properties HK\$'000	Other properties HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Sub-total HK\$'000	Investment properties HK\$'000	Total HK\$'000
Cost or valuation:								
At 1 January 2004	4,013	807,114	89,886	331,054	6,783	1,238,850	147,000	1,385,850
Additions	-	14,056	-	13,292	931	28,279	-	28,279
Disposals	-	(2,625)	-	(2,297)	(956)	(5,878)	-	(5,878)
Surplus on revaluation	-	-	-	-	-	-	11,000	11,000
Exchange adjustments	-	2,508	-	927	(11)	3,424	-	3,424
At 31 December 2004	4,013	821,053	89,886	342,976	6,747	1,264,675	158,000	1,422,675
Representing:								
Cost	4,013	821,053	89,886	342,976	6,747	1,264,675	-	1,264,675
Valuation - 2004	-	-	-	-	-	-	158,000	158,000
	<u>4,013</u>	<u>821,053</u>	<u>89,886</u>	<u>342,976</u>	<u>6,747</u>	<u>1,264,675</u>	<u>158,000</u>	<u>1,422,675</u>
Accumulated depreciation:								
At 1 January 2004	76	63,631	19,795	136,295	4,988	224,785	-	224,785
Charge for the year	76	36,373	3,594	53,960	408	94,411	-	94,411
Written back on disposals	-	-	-	(578)	(442)	(1,020)	-	(1,020)
Exchange adjustments	-	300	-	590	7	897	-	897
At 31 December 2004	152	100,304	23,389	190,267	4,961	319,073	-	319,073
Net book value:								
At 31 December 2004	<u>3,861</u>	<u>720,749</u>	<u>66,497</u>	<u>152,709</u>	<u>1,786</u>	<u>945,602</u>	<u>158,000</u>	<u>1,103,602</u>
At 31 December 2003	<u>3,937</u>	<u>743,483</u>	<u>70,091</u>	<u>194,759</u>	<u>1,795</u>	<u>1,014,065</u>	<u>147,000</u>	<u>1,161,065</u>

- (i) The investment properties comprise various units of Luso International Bank Building and Ocean Gardens in Macau. The lease of Luso International Bank Building is for a period of 50 years, commencing from 6 May 1957 and thereafter renewable for successive periods of 10 years up to 19 December 2049. The lease of Ocean Gardens is for a period of 25 years, commencing from 5 September 1980 and thereafter renewable for successive periods of 10 years up to 19 December 2049.
- (ii) The investment properties were revalued by Chesterton Petty Limited, an independent firm of professional surveyors, at 31 December 2004 on an open market value basis, after taking into consideration the net rental income allowing for reversionary potential.

Notes on the Financial Statements (Continued)

12. FIXED ASSETS (Continued)

(a) The Group (Continued)

- (iii) At 31 December 2004, certain investment properties, other properties and a hotel property together with its integral fixtures and fittings with a net book value of HK\$873,345,000 (2003: \$375,388,000) were mortgaged to various banks to secure banking facilities granted to the Group (Note 20).
- (iv) Hotel properties comprise land use rights granted to the Group's subsidiaries in (a) Wuhan, the PRC with a period of 50 years after receiving an approval for extension of 20 years in 2004 in addition to the initial period of 30 years commencing on 21 August 1995, and (b) Vietnam with a period of 48 years commencing on 7 May 1994.
- (v) Other properties comprise a club house situated in Ocean Gardens. The lease of the club house is for a period of 25 years, commencing from 5 September 1980 and thereafter renewable for successive periods of 10 years up to 19 December 2049.
- (vi) The Group leases out investment properties under operating leases, which generally run for an initial period of one to four years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The gross amount of investment properties of the Group held for use in operating leases was HK\$158,000,000 (2003: HK\$147,000,000).

- (vii) The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2004	2003
	HK\$'000	HK\$'000
Within 1 year	20,450	12,000
After 1 year but within 5 years	21,950	30,764
After 5 years	2,056	6,909
	44,456	49,673

Notes on the Financial Statements (Continued)

12. FIXED ASSETS (Continued)

(b) The Company

	Land and buildings <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:			
At 1 January 2004	4,013	1,035	5,048
Disposals	–	(532)	(532)
	<u>4,013</u>	<u>503</u>	<u>4,516</u>
At 31 December 2004	<u>4,013</u>	<u>503</u>	<u>4,516</u>
Accumulated depreciation:			
At 1 January 2004	76	633	709
Charge for the year	75	101	176
Written back on disposals	–	(532)	(532)
	<u>151</u>	<u>202</u>	<u>353</u>
At 31 December 2004	<u>151</u>	<u>202</u>	<u>353</u>
Net book value:			
At 31 December 2004	<u>3,862</u>	<u>301</u>	<u>4,163</u>
At 31 December 2003	<u>3,937</u>	<u>402</u>	<u>4,339</u>

(c) The analysis of the net book value of land and buildings is as follows:

	The Group and the Company	
	2004	2003
	HK\$'000	<i>HK\$'000</i>
In Hong Kong under long leases	<u>3,862</u>	<u>3,937</u>

Notes on the Financial Statements (Continued)

13. PROPERTIES UNDER DEVELOPMENT

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Properties under development for sale	<u>85,475</u>	<u>66,827</u>

The property, which comprises certain leasehold land on Taipa Island, Macau, was acquired by a subsidiary from the Government of Macau as a site for the development, in several phases, of a residential and commercial complex. The lease is for a period of 25 years, commencing from 5 September 1980 and thereafter renewable for successive periods of 10 years up to 19 December 2049.

Under the terms of an agreement dated 1 March 1983, a supplementary agreement dated 20 June 1994 and a revised agreement on 6 August 1999 with the Government of Macau in respect of the leasehold land, the subsidiary had undertaken to complete the remaining phases of the development by various specified dates with the whole project due to be completed by 31 December 2001. On 5 October 2001, the Macau SAR Government agreed to extend the final completion date up to 31 December 2003 without any penalty.

Whilst construction work has already commenced on all the remaining phases of the development, the directors were of the view that one of the phases would not be completed by the final completion date of 31 December 2003. Accordingly, an application for extension was made to the Macau SAR Government by the subsidiary and on 29 August 2003, the Macau SAR Government agreed to extend the final completion date up to 4 September 2005 without any penalty. Delays in completing the various phases of up to 180 days would give rise to the possibility of fines being imposed by the Macau SAR Government in a manner more particularly described in Note 28(f). Delays beyond the 180-day period would give rise to the possibility of rescission of the lease by the Macau SAR Government without compensation to the subsidiary.

The directors consider that the remaining phases of the development project will be completed by 4 September 2005 (see also Note 28(f)).

The subsidiary has mortgaged its leasehold land on Taipa Island to a bank to secure banking facilities to the extent of HK\$85,000,000 (2003: HK\$85,000,000) granted to the subsidiary. At 31 December 2004, HK\$20,000,000 of the bank facilities were utilised (2003: HK\$Nil) (see Note 20).

Notes on the Financial Statements (Continued)

14. INTEREST IN SUBSIDIARIES

	The Company	
	2004	2003
	HK\$'000	HK\$'000
Unlisted shares, at cost	43,823	43,823
Less: Dividend paid out of pre-acquisition profits	(4,156)	(4,156)
	39,667	39,667
Amounts due from subsidiaries		
– Current account	811,473	792,024
	851,140	831,691
Amounts due to subsidiaries	540	3,410

Amounts due from/to subsidiaries are unsecured, interest-free and will not be settled within next twelve months.

Notes on the Financial Statements (Continued)

14. INTEREST IN SUBSIDIARIES (Continued)

Details of the subsidiaries are as follows:

Name of company	Place of incorporation/ operation	Issued equity capital	Percentage of equity			Principal activity
			attributable to the Group	held by the Company	held by subsidiaries	
Ocean Incorporation Ltd.	Macau	Two quotas of Ptc9,999,000 and Ptc1,000 respectively totalling Ptc10,000,000	100%	100%	–	Property investment and investment holding
Carrigold Limited*	British Virgin Islands	1 share of US\$1	100%	100%	–	Investment holding
Compton Developments Limited*	British Virgin Islands	1 share of US\$1	100%	100%	–	Investment holding
Crichton Assets Limited*	British Virgin Islands	1 share of US\$1	100%	100%	–	Investment holding
Labond Developments Limited*	British Virgin Islands	1 share of US\$1	100%	100%	–	Investment holding
KSB Enterprises Limited*	Canada	1 share of no par value issued at CA\$1	100%	100%	–	Investment holding
Bardney Investment Limited*	Republic of Liberia/Macau	2 shares of no par value issued at HK\$5,000 each	100%	–	100%	Financial investment
Lam Ho Investments Pte Limited	Singapore	5,000,000 shares of S\$1 each	90.10%	–	90.10%	Investment holding
Shun Seng International Limited	Hong Kong	100,000 shares of HK\$1 each	75.01%	–	75.01%	Investment holding

Notes on the Financial Statements (Continued)

14. INTEREST IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ operation	Issued equity capital	Percentage of equity			Principal activity
			attributable to the Group	held by the Company	held by subsidiaries	
Golden Crown Development Limited ("Golden Crown")	Macau	70,000,000 shares of Ptc1 each	70.61%	–	70.61%	Property development
Ocean Gardens Management Company Limited*	Macau	Two quotas of Ptc99,000 and Ptc1,000 respectively totalling Ptc100,000	69.90%	–	99%	Building management
Honister Investment Limited	Republic of Liberia/Macau	2 shares of no par value issued at HK\$5,000 each	70.61%	–	100%	Financial investment
Ocean Club Recreational Company Limited	Macau	100,000 shares of Ptc1 each	70.61%	–	100%	Club operation
Ocean Place Joint Venture Company Limited ("OPJV")	Socialist Republic of Vietnam	US\$29,100,000	63.07%	–	70%	Operation of a hotel
Hubei Qing Chuan Hotel Company Limited*# ("Qing Chuan")	The People's Republic of China ("PRC")	US\$16,300,000	41.26%	–	55%	Operation of a hotel
Lam Ho Finance Limited*	British Virgin Islands	1 share of US\$1	90.10%	–	100%	Financial investment

* The financial statements of the subsidiaries not audited by KPMG reflect total assets and total turnover constituting approximately 9.2% (2003: 13%) and 11.3% (2003: 11%) of the respective consolidated totals.

Qing Chuan was incorporated in the PRC as Sino-foreign equity joint venture in 1995.

Notes on the Financial Statements (Continued)

15. INTEREST IN ASSOCIATES

	The Group		The Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted shares, at cost	–	–	5	5
Share of net assets	191,184	173,269	–	–
Interest free loans to associates	162,493	173,637	134,870	146,019
	<u>353,677</u>	<u>346,906</u>	<u>134,875</u>	<u>146,024</u>

The following list contains the particulars of associates, all of which are unlisted corporate entities:

Name of company	Form of business structure	Place of incorporation/operation	Percentage of equity			Principal activity
			attributable to the Group	held by the Company	held by subsidiaries	
Chateau Ottawa Hotel Inc – note (a)	Incorporated	Canada	50%	–	50%	Operation of a hotel
Worldwide Properties Limited	Incorporated	Macau	50%	–	50%	Dormant
Trans-International Development Limited	Incorporated	Macau	40%	–	40%	Dormant
Shun Cheong International Limited – note (b)	Incorporated	Hong Kong	35.01%	–	35.01%	Property investment
Porchester Assets Limited (“PAL”) – note (c)	Incorporated	British Virgin Islands	49%	49%	–	Investment holding
Crown Pacific Development Limited (“Crown Pacific”) – note (d)	Incorporated	Hong Kong	24%	–	24%	Investment holding
KSF Enterprises Sdn Bhd (“KSF”) – note (e)	Incorporated	Malaysia	25%	25%	–	Investment holding

Notes on the Financial Statements (Continued)

15. INTEREST IN ASSOCIATES (Continued)

- (a) Chateau Ottawa Hotel Inc owns a hotel in Ottawa licensed with Sheraton Inns Canada operating as the Sheraton Ottawa Hotel.
- (b) Shun Cheong International Limited is engaged in property investment in the PRC.
- (c) PAL has a wholly owned subsidiary, Glynhill Investments (Vietnam) Pte Ltd (“Glynhill”), which holds 51% in Chains Caravelle Hotel Joint Venture Company Limited (“CCH”). CCH is a joint venture company established under the laws of Vietnam between Glynhill and a local Vietnamese entity for the purpose of developing, renovating and operating the Caravelle Hotel in Vietnam. In accordance with the joint venture agreement and the subsequent increase in registered share capital on 19 May 1997, the legal capital of CCH is HK\$143.8 million (US\$18.6 million). Glynhill contributed HK\$73.3 million (US\$9.5 million) and the remaining balance of HK\$70.5 million (US\$9.1 million) was contributed by the Vietnamese joint venture partner in the form of the right of use to a parcel of land (2,612 sq.m.) for a term of 40 years. In addition, Glynhill is committed to secure on behalf of CCH or, alternatively, to provide further finance of up to HK\$305.0 million (US\$39.4 million) in the form of an interest bearing shareholder’s loan towards the costs of developing and renovating the hotel and for general working capital requirements. As at 31 December 2004, PAL has advanced interest bearing loans totalling HK\$281.9 million (US\$36.3 million) (2003: HK\$298.0 million (US\$38.4 million)) to CCH. The joint venture has a duration of 48 years from 8 October 1992 and may be extended for a further period subject to the mutual agreement of the joint venture partners and approval from the relevant local authority.
- (d) Crown Pacific is engaged in the development for resale and investment purposes of a residential compound in Beijing in the PRC through Beijing Hong Gong Garden Villa House Property Development Co Limited (“BHGG”), a Sino-foreign cooperative joint venture company established in the PRC with a local Beijing party. In accordance with the joint venture agreement, the legal capital of BHGG is approximately HK\$256.0 million (US\$33.1 million), which has been fully paid up. Crown Pacific is entitled to share 100% of the financial results and net assets of BHGG save for a distribution of profit of a fixed sum of HK\$2.8 million to the local Beijing party.

The joint venture lasts for a period of 30 years from 15 January 1993 to 14 January 2023. All four phases of the development have been completed and most of the units have been sold.

- (e) KSF has a wholly owned subsidiary, KSD Enterprises Limited, which operates the Doubletree International Plaza Hotel in Toronto, Canada. It also has a 50% interest in KSE Enterprises Limited which operates the Four Points Sheraton Gatineau-Ottawa Hotel & Conference Centre in Quebec, Canada.

Notes on the Financial Statements (Continued)

15. INTEREST IN ASSOCIATES (Continued)

The following supplementary financial information is disclosed relating to a principal associate, Crown Pacific, which is based on its audited consolidated financial statements for the year ended 31 December 2004:

Consolidated profit and loss account

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover	–	23,335
Other revenue and gains	85,224	84,607
Profit from ordinary activities before taxation	29,507	36,662
Profit attributable to shareholders	<u>26,826</u>	<u>32,656</u>
Group's share of profit from ordinary activities before taxation	<u>7,082</u>	<u>8,799</u>

Consolidated balance sheet

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Long term assets	169,742	184,869
Current assets	794,908	755,612
Current liabilities	(367,540)	(370,197)
Long term liabilities	<u>(100,000)</u>	<u>(100,000)</u>
Shareholders' funds	<u>497,110</u>	<u>470,284</u>
Group's share of net assets	<u>119,306</u>	<u>112,868</u>

Notes on the Financial Statements (Continued)

16. NON-TRADING INVESTMENTS

	The Group and the Company	
	2004	2003
	HK\$'000	HK\$'000
Listed shares outside Hong Kong, at market value	<u>818</u>	<u>804</u>

17. PROPERTIES HELD FOR SALE

Properties held for sale comprise:

(a) Ocean Park held by the Company

The property is freehold and situated in Singapore.

(b) Heng Fa Chuen held by the Company

The property is held under a long lease and situated in Hong Kong.

(c) Properties in Macau held by a subsidiary

(i) Ocean Industrial Centre II

The lease is for a period of 30 years, commencing from 9 June 1973 and thereafter renewable for successive periods of 10 years up to 19 December 2049.

(ii) Keck Seng Industrial Centre III

The lease is for a period of 30 years, commencing from 4 September 1973 and thereafter renewable for successive periods of 10 years up to 19 December 2049.

(iii) Ocean Gardens

These are completed units of a property development on Taipa Island in Macau. The lease is for a period of 25 years, commencing from 5 September 1980 and thereafter renewable for successive periods of 10 years up to 19 December 2049.

Certain of these properties with a carrying value of HK\$Nil (2003: HK\$135,048,000) have been mortgaged to secure the subsidiary's banking facilities at 31 December 2004.

Notes on the Financial Statements (Continued)

18. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount expected to be recoverable:				
– within 1 year	27,382	56,009	131	83
– after 1 year	352	353	–	–
	<u>27,734</u>	<u>56,362</u>	<u>131</u>	<u>83</u>
Trade and other receivables	<u>27,734</u>	<u>56,362</u>	<u>131</u>	<u>83</u>

Included in trade and other receivables are trade receivables (net of specific provisions for bad and doubtful debts) with the following ageing analysis:

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Current	3,065	4,707
1 to 3 months overdue	17,907	38,497
4 to 12 months overdue	57	147
More than 12 months overdue	4	5
	<u>21,033</u>	<u>43,356</u>

The Group has a defined credit policy. The general credit terms allowed ranges from 0 to 30 days. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

19. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deposits with banks and other financial institutions	368,951	211,494	81,136	51,628
Cash at bank and in hand	75,843	76,090	149	118
Cash and cash equivalents in the balance sheet	444,794	287,584	<u>81,285</u>	<u>51,746</u>
Bank overdrafts (Note 20)	(39)	(4)		
Cash and cash equivalents in the cash flow statement	<u>444,755</u>	<u>287,580</u>		

Notes on the Financial Statements (Continued)

20. BANK OVERDRAFTS AND LOANS

	The Group		The Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Repayable within 1 year and included in current liabilities:				
Bank overdrafts (<i>Note 19</i>)	39	4	–	1
Bank loans	<u>115,442</u>	<u>142,009</u>	<u>83,656</u>	<u>118,461</u>
	<u>115,481</u>	<u>142,013</u>	<u>83,656</u>	<u>118,462</u>
Bank loans repayable after 1 year and included in non-current liabilities:				
After 1 year but within 2 years	29,162	–	15,530	–
After 2 years but within 5 years	81,410	138,560	15,530	–
After 5 years	<u>59,693</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>170,265</u>	<u>138,560</u>	<u>31,060</u>	<u>–</u>
	<u>285,746</u>	<u>280,573</u>	<u>114,716</u>	<u>118,462</u>

At 31 December 2004, the bank loans and overdrafts outstanding were secured as follows:

	The Group		The Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unsecured bank overdrafts	<u>39</u>	<u>4</u>	<u>–</u>	<u>1</u>
Bank loans				
– secured (<i>Notes 12 and 13</i>)	211,731	15,143	46,590	–
– unsecured	<u>73,976</u>	<u>265,426</u>	<u>68,126</u>	<u>118,461</u>
	<u>285,707</u>	<u>280,569</u>	<u>114,716</u>	<u>118,461</u>
	<u>285,746</u>	<u>280,573</u>	<u>114,716</u>	<u>118,462</u>

Notes on the Financial Statements (Continued)

21. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Creditors and accruals	82,227	74,615	2,163	680
Sales deposits and receipts in advance	10,543	6,966	219	204
	<u>92,770</u>	<u>81,581</u>	<u>2,382</u>	<u>884</u>

Included in trade and other payables are trade creditors with the following ageing analysis:

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Due within 1 month or on demand	16,482	4,833
Due after 1 month but within 3 months	5,572	2,340
Due after 3 months but within 6 months	35	110
	<u>22,089</u>	<u>7,283</u>

22. INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The Group		The Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Provision for overseas taxation for the year	16,755	13,811	–	40
Tax paid for the year	(3,589)	(1,453)	–	–
Balance of overseas tax provision relating to prior years	30,400	31,123	–	–
	<u>43,566</u>	<u>43,481</u>	<u>–</u>	<u>40</u>

Notes on the Financial Statements (Continued)

22. INCOME TAX IN THE BALANCE SHEET (Continued)

(b) Deferred taxation

At 31 December 2004, the Group does not have any material deferred taxation liabilities (2003: HK\$Nil).

The major component of unprovided deferred taxation of the Group is the future benefit of tax losses, which have been agreed with the relevant tax authorities, of HK\$4,955,000 (2003: HK\$4,241,000). The future benefit of tax losses which are subject to agreement by the relevant tax authorities at 31 December 2004 amounted to HK\$89,574,000 (2003: HK\$105,954,000). The future benefit of tax losses are not recognised as it is not probable that there will be sufficient appropriate taxable profits before expiry of tax losses in the respective tax jurisdictions.

The tax losses can be carried forward to offset against the taxable profits of subsequent years for up to three to seven years from the year in which they were incurred or there is no restriction on their expiry depending on the tax jurisdiction concerned.

As at 31 December 2004, the Company does not have any material deferred taxation asset and liabilities (2003: HK\$Nil).

23. LOANS FROM MINORITY SHAREHOLDERS

Loans from minority shareholders include amounts due to Goodland of HK\$74,027,000 (2003: HK\$141,660,000) which are unsecured, non-interest bearing, and have no fixed terms of repayment except for HK\$Nil (2003: HK\$64,754,000) which is repayable on 30 April 2005.

24. SHARE CAPITAL

	2004		2003	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$1 each	<u>500,000,000</u>	<u>500,000</u>	<u>500,000,000</u>	<u>500,000</u>
Issued and fully paid:				
At 1 January and 31 December	<u>340,200,000</u>	<u>340,200</u>	<u>340,200,000</u>	<u>340,200</u>

Notes on the Financial Statements (Continued)

25. RESERVES

	The Group		The Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Share premium account:				
At 1 January and 31 December	158,105	158,105	158,105	158,105
Legal reserve:				
At 1 January and 31 December	12,758	12,758	–	–
Exchange reserve:				
At 1 January	14,824	9,269	891	891
Movement during the year	3,130	5,555	–	–
At 31 December	17,954	14,824	891	891
Investment property revaluation reserve:				
At 1 January	10,927	8,080	–	–
Revaluation surplus	8,649	2,847	–	–
At 31 December	19,576	10,927	–	–
Investment revaluation reserve:				
At 1 January	212	188	212	188
Revaluation surplus	14	24	14	24
At 31 December	226	212	226	212
Retained profits:				
At 1 January	804,782	775,324	427,386	380,419
Profit for the year	89,835	32,860	51,374	50,369
Dividends paid in respect of the current year	(8,505)	(3,402)	(8,505)	(3,402)
At 31 December	886,112	804,782	470,255	427,386
	1,094,731	1,001,608	629,477	586,594

Notes on the Financial Statements (Continued)

25. RESERVES (Continued)

Profit for the year is retained as follows:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
By the Company and its subsidiaries	75,008	20,016
By associates	14,827	12,844
	<u>89,835</u>	<u>32,860</u>

The application of the share premium is governed by section 48B of the Hong Kong Companies Ordinance.

The legal reserve is non-distributable and represents transfers from annual profits up to a maximum of 20 percent of the issued and paid up capital of the Macau subsidiaries in accordance with the Macau Commercial Code.

The exchange reserve of the Group arises on translation of the financial statements of foreign subsidiaries and associates (see Note 1(r)).

The investment property revaluation and investment revaluation reserves have been set up and dealt in accordance with the accounting policies adopted for the revaluation of investment properties (see Note 1(f)) and non-trading investments (see Note 1(k)).

Distributable profits of the Company at 31 December 2004 amounted to HK\$470,255,000 (2003: HK\$427,386,000).

Notes on the Financial Statements (Continued)

26. EMPLOYEE BENEFITS

The Group participates in defined contribution retirement schemes in Hong Kong, the PRC and Vietnam.

The companies of the Group operating in Hong Kong operate a Mandatory Provident Fund Scheme (the “MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$20,000.

The employees of the Group’s subsidiary operating in the PRC are members of central pension schemes operated by the local governments in the PRC and the subsidiary makes mandatory contributions to these central pension schemes to fund the employees’ retirement benefits. The retirement contributions paid by the PRC subsidiary are based on 20% of the employees’ salaries cost in accordance with the relevant regulations in the PRC and are charged to the consolidated profit and loss account as incurred. The subsidiary discharges its retirement obligations upon payment of the retirement contributions to the central pension schemes operated by the local governments in the PRC.

The employees of the Group’s subsidiary operating in Vietnam are members of social insurance fund schemes operated by the local governments in Vietnam and the subsidiary makes mandatory contributions to these social insurance fund schemes to fund the employees’ retirement benefits, maternity benefits and sick leave benefits. The social insurance contributions paid by the Vietnam subsidiary are based on Social Insurance Regulations at the prevailing rate of 15% of basic salaries.

Notes on the Financial Statements (Continued)

27. COMMITMENTS

At 31 December 2004, the Group had commitments in respect of development expenditure not provided for in the financial statements as follows:

	2004 HK\$'000	2003 <i>HK\$'000</i>
Contracted for	47,579	29,890
Authorised but not contracted for	1,004	–
	<u>48,583</u>	<u>29,890</u>

At 31 December 2004, the total future minimum lease payments under non-cancellable operating leases are as follows:

	2004 HK\$'000	2003 <i>HK\$'000</i>
Leases on premises expiring – within one year	<u>192</u>	<u>180</u>

28. CONTINGENT LIABILITIES

- (a) At 31 December 2004, there were outstanding counter indemnities relating to guarantees issued by a subsidiary's bankers in favour of the Macau SAR Government in respect of properties under development amounting to HK\$6,311,000 (2003: HK\$6,311,000).
- (b) At 31 December 2004, there were guarantees given by a subsidiary to banks on behalf of purchasers of flats amounting to HK\$Nil (2003: HK\$37,379,000).
- (c) At 31 December 2004, guarantees given by the Company to banks to secure banking facilities made available to certain subsidiaries and associates amounted to HK\$134,451,000 (2003: HK\$182,312,000) and HK\$66,680,000 (2003: HK\$61,980,000) respectively.
- (d) At 31 December 2004, guarantees given by a subsidiary and the Company to a bank to secure banking facilities made available to an associate amounted to HK\$32,275,000 (CA\$5,000,000) (2003: HK\$37,500,000 (CA\$6,250,000)).
- (e) To finance the capital expenditure of its subsidiary, an intermediate subsidiary provided a guarantee to a bank to secure a banking facility made available to the Company. At 31 December 2004, the guarantee granted by the subsidiary amounted to HK\$62,120,000 (US\$8,000,000) (2003: HK\$62,024,000 (US\$8,000,000)).

Notes on the Financial Statements (Continued)

28. CONTINGENT LIABILITIES (Continued)

- (f) Pursuant to the revised agreement with the Macau SAR Government on 29 August 2003 (Note 13), Golden Crown is required to complete the remaining phase of the development project in Ocean Gardens by 4 September 2005. Failure to comply with the development schedule may render the subsidiary liable to a fine of HK\$4,854 for each day of delay up to a limit of 90 days and thereafter the fine may be increased up to HK\$9,709 per day. When the delay reaches 180 days, the Macau SAR Government may terminate the agreement totally or partially and the specified areas granted together with the work already done shall revert to the Macau SAR Government and the subsidiary shall have no right of compensation. The directors are confident that the remaining phase of the development project will be completed by 4 September 2005.

29. RECENTLY ISSUED ACCOUNTING STANDARDS

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

The Group will be continuing with the assessment of the impact of these new HKFRSs and significant changes may be identified as a result.

Notes on the Financial Statements (Continued)

30. MATERIAL RELATED PARTY TRANSACTIONS

During the year, certain subsidiaries of the Company had the following transactions, which were on normal commercial terms, with Goodland Limited (“Goodland”), an affiliated company which held 28% of the issued shares of the Company at 31 December 2004:

- (a) Interest bearing current accounts with Goodland
 - (i) A current account was maintained between Goodland and a subsidiary of the Company and interest was charged on the outstanding balance at market rates. At 31 December 2004, the balance due by the subsidiary on this account amounted to HK\$77,000 (2003: HK\$60,995,000). The interest charge for the year ended 31 December 2004 amounted to HK\$62,000 (2003: HK\$885,000).
 - (ii) Goodland maintained interest bearing current account with a subsidiary. At 31 December 2004, the balance due by the subsidiary amounted to HK\$1,154,000 (2003: HK\$92,000). The interest charge for the year ended 31 December 2004 payable by the subsidiary was HK\$5,000 (2003: HK\$5,000).
- (b) At 31 December 2004, the balances due to Goodland by certain subsidiaries on non-interest bearing accounts amounted to HK\$76,624,000 (2003: HK\$44,255,000).
- (c) Loans from minority shareholders include amounts due to Goodland of HK\$74,027,000 (2003: HK\$141,660,000) which are unsecured, non-interest bearing, and have no fixed terms of repayment except for HK\$Nil (2003: HK\$64,754,000) which is repayable on 30 April 2005.
- (d) A subsidiary rented certain of its properties to Goodland and received rental income (net of outgoings) amounting to HK\$1,011,000 for the year ended 31 December 2004 (2003: HK\$1,011,000).
- (e) Certain subsidiaries paid to Goodland management fees amounting to HK\$6,280,000 (2003: HK\$6,158,000) for the year ended 31 December 2004.
- (f) A subsidiary incurred building construction costs payable to Goodland in respect of the construction of certain development projects of the Ocean Gardens amounting to HK\$16,500,000 for the year ended 31 December 2004 (2003: HK\$72,498,000).

Provision of construction costs amounting to HK\$16,866,000 was released from the amount due to Goodland upon completion of certain units of a development project of the Ocean Gardens during the year ended 31 December 2004 (see Note 4(c)).

Notes on the Financial Statements (Continued)

30. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

- (g) The Company, Goodland, Larch Management Incorporated and AKA Project Management International Limited provided a guarantee, on a joint and several basis, to a bank in connection with a term loan facility obtained by a subsidiary.

A term loan facility of up to an aggregate principal amount of US\$3,800,000 (approximately HK\$29,640,000) was made available by the bank for a period of three years subject to the terms and conditions of a facility agreement between the subsidiary and the bank entered into on 26 March 2004. The interest rate shall be the sum of 1.46% per annum and 3 or 6 months' LIBOR at the subsidiary's option. It is intended that the subsidiary will choose whichever is the lower interest rate on an interest payment date.

Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong each had 1/3 indirect interest in Goodland (while Messrs Ho Kian Guan and Ho Kian Hock are also directors of Goodland) and they are deemed to be interested in the aforesaid transactions.

31. POST BALANCE SHEET EVENTS

On 15 February 2005, the Company entered into an agreement (the "Option to Purchase") with Ms Alexia Ho Wen Tsi, a daughter of Mr Ho Kian Guan, the Executive Chairman of the Company, and an independent third party (the "Purchasers"), in relation to the disposal of a residential property, which was vacant at 31 December 2004 and located in 530 East Coast Road, Ocean Park, Singapore. The consideration is SGD1,200,000 (equivalent to approximately HK\$5,694,000) payable by way of cash of 1% of the purchase price as a deposit upon signing of the Option to Purchase, a cash sum amounting to 10% of the purchase price less the deposit upon exercise of the Option of Purchase and the remaining balance to be paid upon completion. The consideration was arrived at after arm's length negotiations between the Company and the Purchasers on normal commercial terms with reference to a property valuation report conducted on 9 November 2004 by an independent professional surveyors, CKS Property Consultants Pte Ltd at an open market value of SGD1,200,000. There were no recent transaction records for similar properties. The book value of the property as at 31 December 2004 was HK\$2,255,000.

It is common practice in Singapore for options to purchase to be entered into prior to the completion of sale and purchase of properties. The Option to Purchase was entered into in the ordinary course of the business and on normal commercial terms. All the directors of the Company consider that the Option to Purchase was entered into in the ordinary course of business of the Company on normal commercial terms and was in the best interest of the Company.

The sale of property was completed on 12 April 2005.

Five Year Financial Summary

	2004 HK\$'000	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Profit and loss account					
Turnover	<u>403,668</u>	<u>339,524</u>	<u>224,502</u>	<u>246,589</u>	<u>104,829</u>
Operating profit/(loss)	108,958	32,467	5,236	(16,802)	(58,652)
Share of profits less losses of associates	<u>16,533</u>	<u>11,741</u>	<u>18,886</u>	<u>31,437</u>	<u>22,528</u>
Profit/(loss) before taxation	125,491	44,208	24,122	14,635	(36,124)
Income tax	<u>(5,380)</u>	<u>(12,056)</u>	<u>3,209</u>	<u>11,101</u>	<u>21,074</u>
Profit/(loss) after taxation	120,111	32,152	27,331	25,736	(15,050)
Minority interests	<u>(30,276)</u>	<u>708</u>	<u>984</u>	<u>1,557</u>	<u>21,998</u>
Profit attributable to shareholders	<u>89,835</u>	<u>32,860</u>	<u>28,315</u>	<u>27,293</u>	<u>6,948</u>
Balance sheet					
Fixed assets	1,103,602	1,161,065	1,161,746	458,838	472,958
Properties under development	–	–	–	731,163	737,026
Interest in associates	353,677	346,906	358,301	369,814	370,367
Non-trading investments	818	804	780	636	567
Current assets	<u>800,597</u>	<u>719,219</u>	<u>631,810</u>	<u>606,182</u>	<u>736,917</u>
	<u>2,258,694</u>	<u>2,227,994</u>	<u>2,152,637</u>	<u>2,166,633</u>	<u>2,317,835</u>
Share capital	340,200	340,200	340,200	340,200	340,200
Share premium	158,105	158,105	158,105	158,105	158,105
Investment property revaluation reserve	19,576	10,927	8,080	8,080	91
Other reserves	917,050	832,576	797,539	774,641	745,558
Minority interests	191,571	176,725	190,997	212,562	245,020
Non-current liabilities	270,934	335,680	311,672	345,571	328,712
Current liabilities	<u>361,258</u>	<u>373,781</u>	<u>346,044</u>	<u>327,474</u>	<u>500,149</u>
	<u>2,258,694</u>	<u>2,227,994</u>	<u>2,152,637</u>	<u>2,166,633</u>	<u>2,317,835</u>
Other data					
Basic earnings per share (cents)	26.4	9.7	8.3	8	2
Dividends per share (cents)	4.5	2.0	1.0	Nil	Nil
Dividend cover (times)	5.9	4.8	8.3	Nil	Nil

Schedule of Principal Properties

At 31 December 2004

PROPERTIES HELD FOR RENTAL/INVESTMENT

Properties	Group's interest	Type	No. of units	Gross floor area (sq. ft.)	Lease term
Luso International Bank Building 1, 3 and 3A Rua Do Dr. Pedro Jose Lobo Macau	100%	Office	40	30,264	Medium lease
Ocean Plaza, I & II Ocean Gardens, Macau	70.61%	Commercial	48	94,525	Medium lease
Ocean Tower Ocean Gardens, Macau	70.61%	Office	19	49,703	Medium lease
Sheraton Ottawa Hotel Ottawa, Canada	50%	Hotel	236	193,408	Freehold
Doubletree International Plaza Hotel Toronto Airport, Canada	25%	Hotel	433	450,000	Freehold
Four Points Sheraton Gatineau-Ottawa Hotel & Conference Centre Gatineau, Canada	12.5%	Hotel	201	121,206	Freehold
Caravelle Hotel Ho Chi Minh City, Vietnam	25%	Hotel	335	247,500	Medium lease
Holiday Inn Riverside Wuhan Wuhan, PRC	41.26%	Hotel	336	295,224	Medium lease
Sheraton Saigon Executive Residences Ho Chi Minh City, Vietnam	63.07%	Serviced apartments	92	202,650	Medium lease
Sheraton Saigon Hotel & Towers Ho Chi Minh City, Vietnam	63.07%	Hotel	382	472,850	Medium lease

Schedule of Principal Properties (Continued)

At 31 December 2004

PROPERTIES HELD FOR SALE

Properties	Group's interest	Type	No. of units	Gross floor area (sq. ft.)	Lease term
Ocean Industrial Centre, Phase II Rua dos Pescadores, Macau	100%	Industrial	3	22,921	Medium lease
Ocean Park 530 East Coast Road, Singapore	100%	Residential	6	12,438	Freehold
Heng Fa Chuen Chaiwan, Hong Kong	100%	Residential	2	1,812	Long lease
Poplar Court Ocean Gardens, Macau	70.61%	Residential	2	2,374	Medium lease
Rose Court Ocean Gardens, Macau	70.61%	Residential	3	11,121	Medium lease
Begonia Court Ocean Gardens, Macau	70.61%	Residential	4	10,548	Medium lease
Orchid Court Ocean Gardens, Macau	70.61%	Residential	36	94,932	Medium lease
Sakura Court Ocean Gardens, Macau	70.61%	Residential	42	155,694	Medium lease
Lily Court Ocean Gardens, Macau	70.61%	Residential	32	58,996	Medium lease
Beijing Riviera Beijing, PRC	24%	Residential	198	616,309	Long lease

PROPERTIES UNDER DEVELOPMENT

Properties	Group's interest	Type	Gross floor area (sq. ft.)	Stage of completion	Estimated completion
Aster Court Ocean Gardens, Macau	70.61%	Residential	113,200	Internal works	31 August 2005
Bamboo Court Ocean Gardens, Macau	70.61%	Residential	113,200	Internal works	31 August 2005